



UCD MARKETING DEVELOPMENT PROGRAMME



UCD Michael Smurfit
Graduate Business School

EXECUTIVE SUMMARY

An In-depth Analysis of the Competitive Landscape and Critical Success Factors of the IT Recruitment Industry

Prepared for:

Sam Reilly
and
Jason McNeill
(Vantage Resources Ireland)

Presented by:

Ross Doyle
Louise Healy
and
Robin O Connell
(Marketing Advisors)

Conor Hayes
(Programme Manager)

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Introduction

Background:

Vantage Resources was established in 2000 and is one of Ireland's leading IT recruitment agencies. The company is seeking to further expand its business and marketing activities, by producing an industry report that can be shared with existing and potential customers. The report will demonstrate opportunities that exist in the market for Vantage Resources.

The primary objective of this research is to investigate the competitive landscape and critical success factors of the IT recruitment industry, with a view to producing a yearly industry report and increasing Vantage Resources' customer base in Ireland.

In order to satisfy the aforementioned primary objective, 5 sub-objectives were formulated:

1. To explore the circumstances in which an IT recruitment service is used by clients.
2. Establish the current competitive landscape of IT recruitment services and identify the factors that influence the choice of an IT recruitment service above any other specific competitor from the client's perspective.
3. Gauge the level of satisfaction with current and previous providers and identify gaps in the current offerings.
4. Determine the current hiring trends within the IT sector.
5. Identify information that could be used by Vantage Resources in a public relations context.

Methodology:

The methodology of conducting the research consisted of 100 telephone interviews with both current and potential clients involved in the IT recruitment process. The companies contacted were from a range of different industry sectors including software & tech, insurance and retail to name but a few.

The research began on Thursday, 5th March 2015 and was completed on Tuesday, 12th May 2015. The survey took between 10-25 minutes.

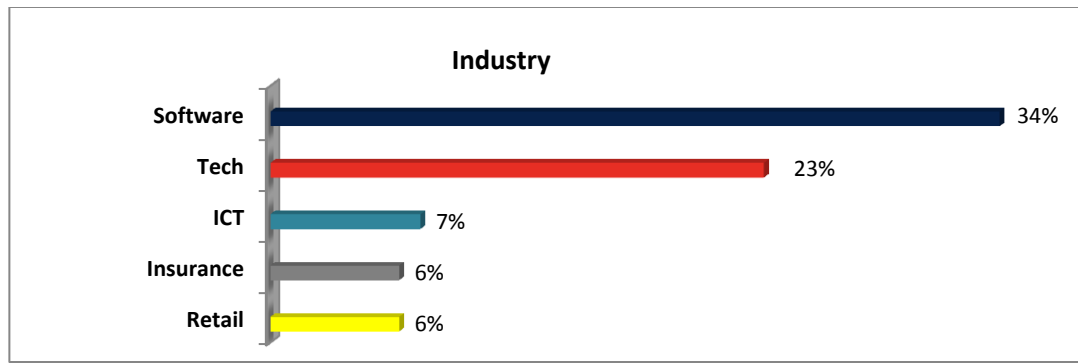
Profiling:

Those interviewed represented specialised IT HR personnel from a range of different companies. The HR personnel interviewed varied in terms of positions, from HR Manager to Director, depending on the size of the organisation. Of those interviewed, 55% have been working in the company for 0-2 years, 28% for 3-9 years, with a further 17% working there for over 10 years.

Companies contacted were categorised based on the number of employees working in the company into small, medium and large. There was a relatively even spread between each of the categories, with 34% of companies employing less than 50, 34% of companies employing between 50-250 and 32% employing over 250.

The industries that these companies operate in were also considered. A large proportion of the companies work in the software and technology industry. However, the research extended to interviewing HR personnel from industry sectors such as finance, media, consultancy, banking and FMCG, but not a significant enough of them were interviewed to be included in the below graph.

Graph 1: Breakdown of Company Industry



Base: 100

Recruitment Process Trends:

Change in Economic Rates

Vantage Resources is operating in a viable market as the vast majority of companies are experiencing an increase in demand for employees. Annual employment rates have increased over the last 5 years for 86% of companies. There are two primary drivers catalysing this growth, with 5% of companies attributing the growth to an upturn in the economy and 12% crediting their increase in demand to industry growth. This further instigated an increase in sales within business of 28% of companies.

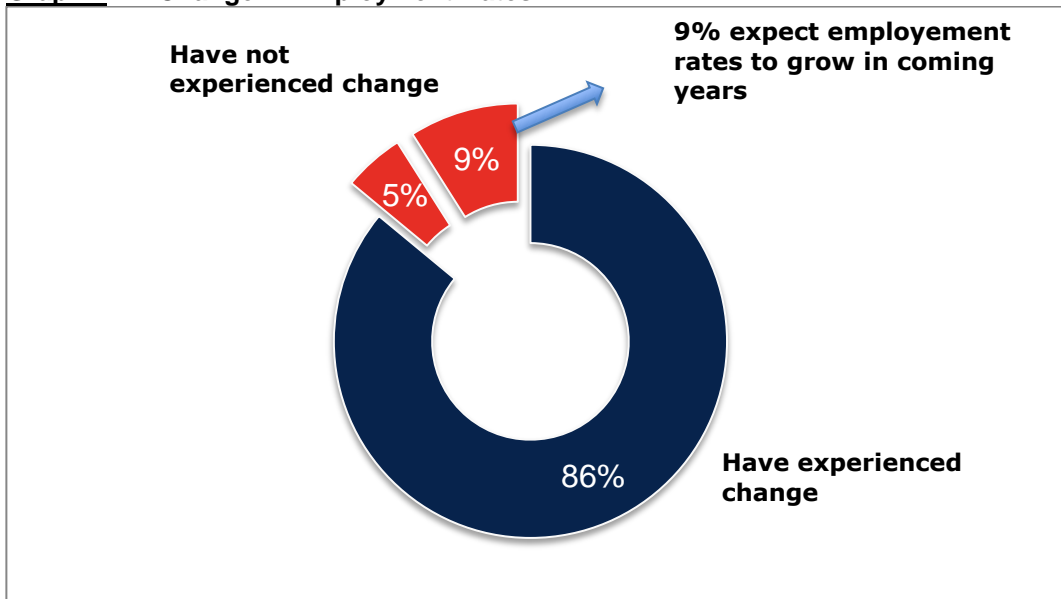
Small Companies

Organisations with fewer than 50 employees have experienced the least amount of growth in their annual employment rates, with 76% doing so. Although this is the lowest percentage, this is still an extremely positive statistic that further indicates that this is a viable market to operate in.

Medium and Large Companies

Both medium and large companies have experienced a considerable amount of growth in their annual employment rates over the last 5 years. This is further evident with 94% of medium sized and 90% of large sized companies employing additional staff to compensate for their growth. This once again demonstrates that Vantage Resources operate in a viable market that is set to experience future growth.

Graph 2: Change in Employment Rates



Base:100

Company Hiring Patterns

The majority of companies have experienced growth in employment rates in the last 5 years and this pattern is set to continue moving forward. As a consequence of the upturn in the economy and industry growth, 91% of companies are likely to hire this year.

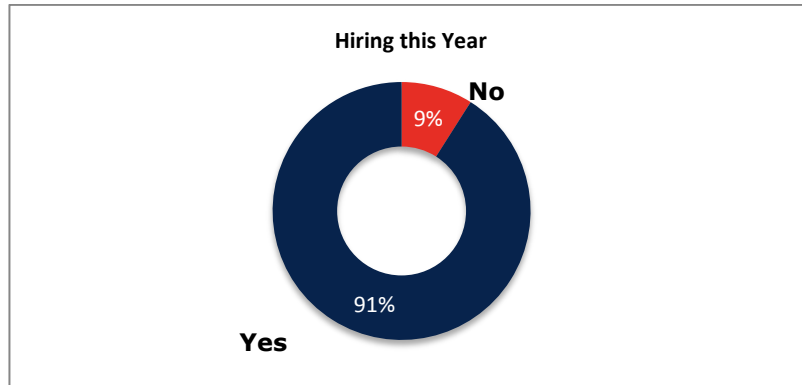
Small Companies

Small companies are still likely to hire, with 76% of them planning to do so this year. However they are the less likely to than medium and large sized companies. This is an unsurprising statistic, as smaller companies tend to have a restricted budget.

Medium & Large Companies

Both medium and large sized companies are expecting considerable amount of growth in their employment rates, with 100% of medium and 97% of large sized companies looking to hire this year. These statistics are extremely satisfying for Vantage Resources as it indicates that there will be a lot of movement and roles to fill in the market.

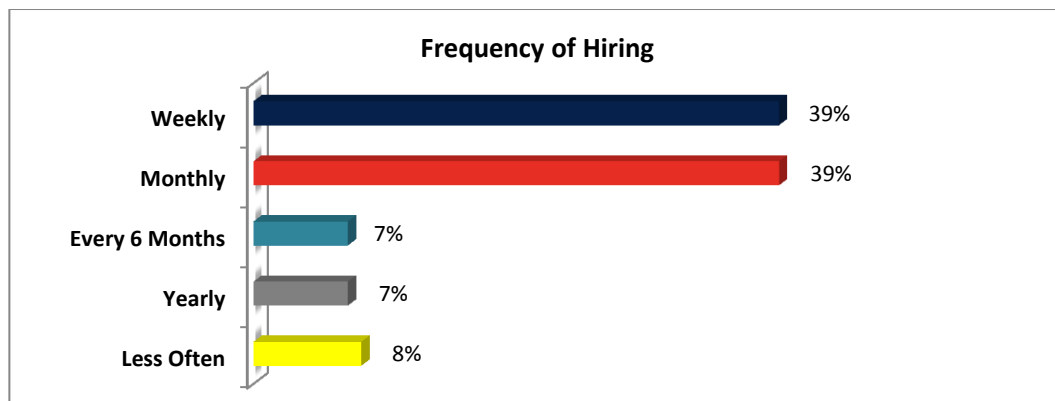
Graph 3: Hiring this Year



Base: 100

Companies that are intending to hire are doing so on a frequent basis, with 78% taking no longer than a month to complete their hiring process. The graph below illustrates the current frequency of hiring:

Graph 4: Frequency of Hiring Process



Base: 100

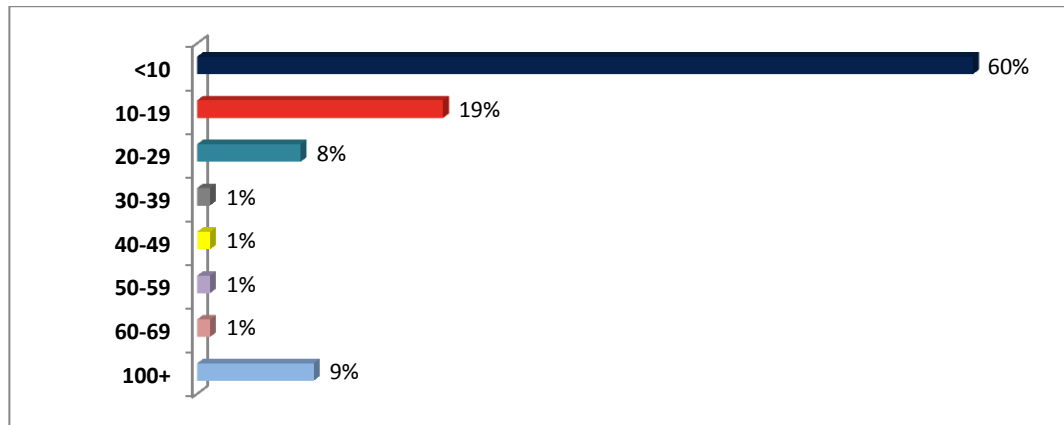
Number of Employees to be Hired

Of companies planning to hire, 62% intend to employ 10 or more people. Furthermore, 54% of the 62% operate in the software and technology industry, indicating that there is a lot of hiring to be done in this sector. Larger companies, with over 250 employees, are most likely to hire 10 or more employees. As previously mentioned, the upturn in the economy and industry growth are the two primary drivers behind an increase in positions available within a company. Anecdotal information reinforces this fact, "it is due to the growth of our business and the industry improving overall."

Company Staff Turnover

The company staff turnover levels indicate a lot of movement within the overall market. This is positive for Vantage Resources as they are operating in a viable marketplace. Currently, 60% of companies have a staff turnover of less than 10, however it is important to note that 61% of this figure is made up of companies with fewer than 50 employees. Furthermore, 27% of companies have staff turnover levels of between 10-29. The graph below demonstrates the breakdown of staff turnover levels.

Graph 5: Company Staff Turnover



Base: 100

Current Hiring Process

From analysis of the research, the typical current hiring process was determined:

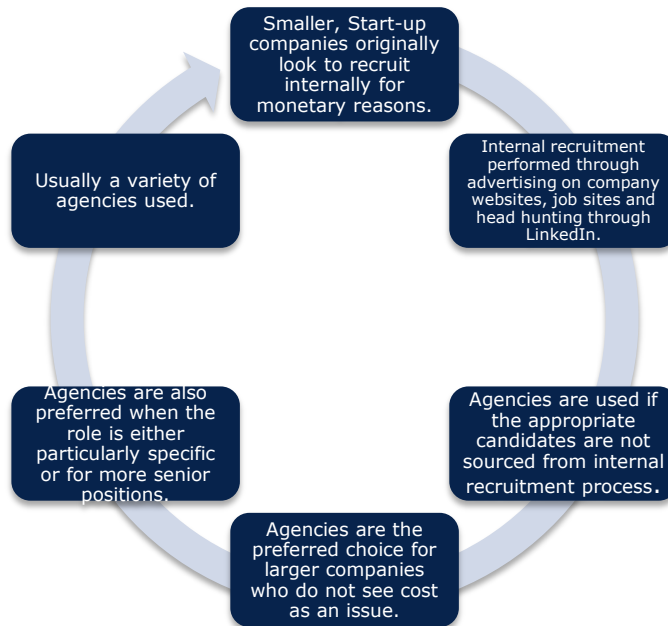
Small Companies

Smaller, start-up companies tend to initially recruit internally. This decision is primarily driven by monetary concerns, as internal recruitment is perceived as being the economic option. The vast majority of internal recruitment is performed through advertising on the company website, through job sites and also head hunting through LinkedIn. The latter of the three is a phenomenon that has only started occurring in the last number of years. Agencies are then used if the appropriate candidates are not sourced from the internal recruitment process, with 53% of small companies stating they have used an agency for IT staff requirements.

Medium and Large Companies

Agencies are the preferred choice for larger companies who prioritise quality candidates over cost. This is further evident with 88% of medium and 83% of large sized companies stating they have used an agency for IT staff requirements. Agencies will also be used when the role is either particularly specific or for senior level positions. A variety of different agencies are generally used, thus there are low levels of loyalty within the market.

Graph 6: Current Hiring Process



Duration of Hiring Process

Turnaround time is an area of primary concern, as the hiring process takes less than two weeks for the majority of companies. The hiring process takes between 3-4 weeks for 51% of companies and 2 months for 29%. However, the duration of the hiring process does vary depending on whether an internal or external strategy is implemented.

Although the visa application process is regarded as a “tedious process”, companies do not consider the visa application to be a primary deterrent to their hiring process. If a competitive candidate is sourced abroad, companies will still offer employment regardless of the grievances associated with the visa application process.

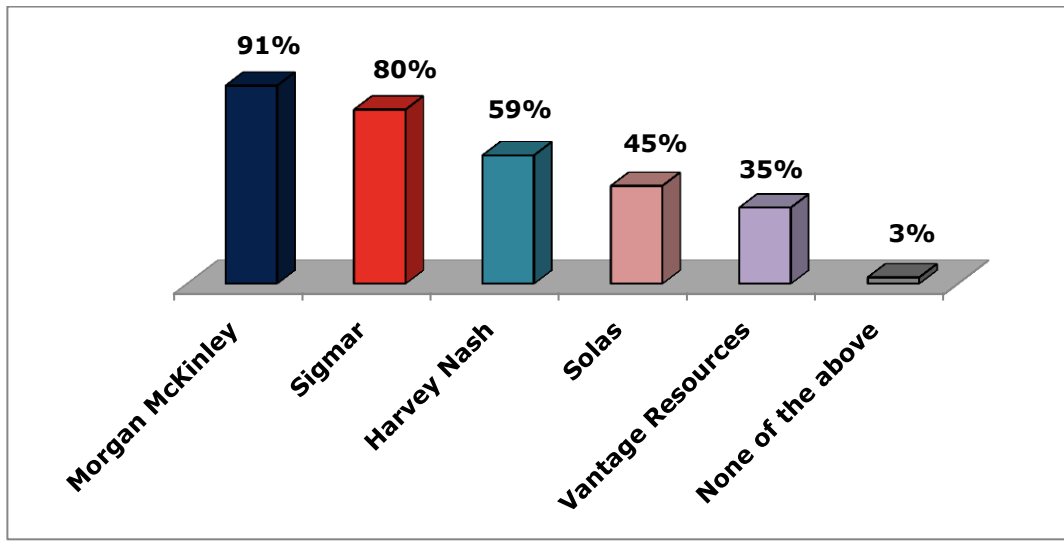
IT Recruitment Industry:

This section of the report provides an in-depth analysis of the current trends prevalent within the IT recruitment agency industry at the moment. The objective of this section is to give a well-rounded, accurate depiction of how the market is currently operating with regards to usage and choice.

Awareness Levels

As to be expected, the major well-known agencies have the highest awareness levels amongst HR personnel; namely Morgan McKinley and Sigmar Recruitment who had 91% and 80% awareness rates respectively. As both agencies have a broader client-base spanning a variety of different industries, this is an unsurprising statistic.

Graph 5: Awareness Levels of Agencies



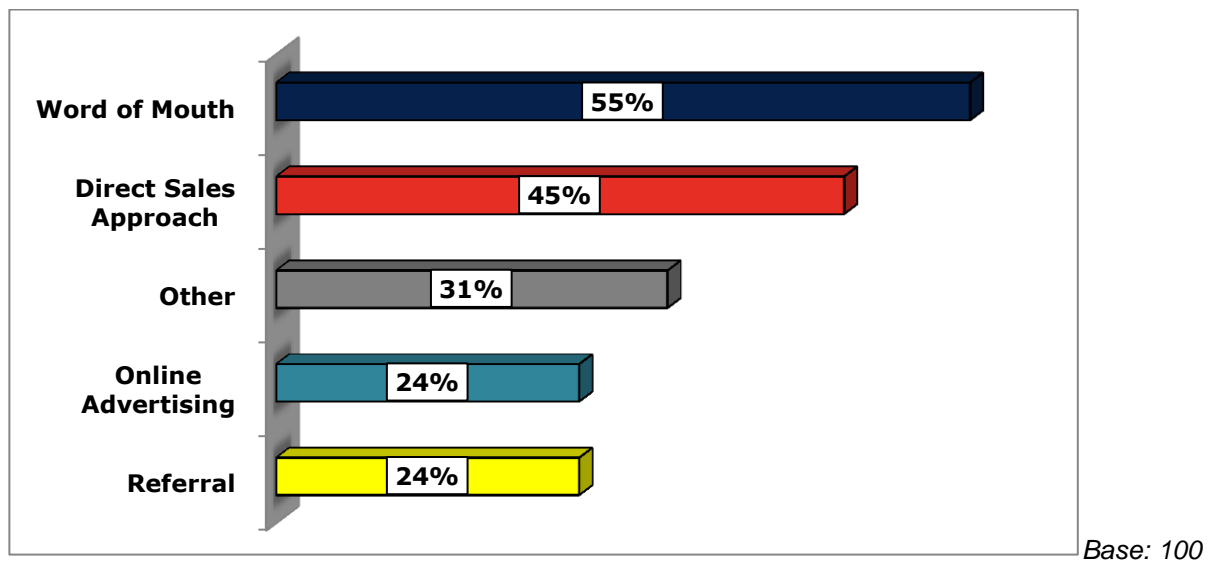
Vantage Resources fall relatively low on the awareness scale with only 35% of the overall market citing that they have heard of the agency. However, as Vantage Resources is a boutique IT agency, it is competing well in terms of awareness with the bigger agencies in this space.

Source of Awareness

Word of mouth, a direct sales approach and other (LinkedIn or past experiences), are the top three sources of awareness from the sample interviewed. Recommendations are key to creating word of mouth awareness. Thus, proof of a good track record is vitally important in creating awareness in the market. Conversely, it is important to note that although a direct sales approach is a primary source of awareness, it is not a favoured strategy among companies, as much of the anecdotal information suggests that companies “hate cold callers.”

As noted above, recommendations are crucial to creating a word of mouth ‘buzz’ in the market. Fortunately, the research proves that 80% of the market are happy to recommend an agency which they have previously used, while only 20% were reluctant. The research states that there are two key barriers that deter companies from recommending recruitment agencies, frustration with the quality of candidates and poor communication. Ensuring that clients receive quality candidates coupled with excellent communication throughout the hiring process could encourage them to recommend the agency, catalysing a word of mouth ‘buzz’ around the organisation.

Graph 7: Source of Awareness



Reasons for Usage

Companies using agencies value their time. They trust that agencies will deliver quality candidates based on their internal network. An equal combination of small, medium and large companies stated that their top three motives for choosing to use an agency as opposed to hiring directly include limited time available, network available and calibre of candidates with 36%, 35% and 31% respectively.

The time spent sourcing the right candidate is of key importance to companies. This is evident, as agencies are used for both permanent and contract roles by 61% of companies, while only 34% use agencies solely for contract roles and 5% for permanent roles. This reinforces the finding that companies use agencies due to time limitations, as contract roles generally need to be filled promptly.

Although the above motives are the most well-used reasons for out-sourcing an agency, it is also important to note that 49% of companies cited 'other' as a reason for using an agency, listing reasons ranging from value for money, difficulties sourcing the right people for specific roles and ease of the vetting process.

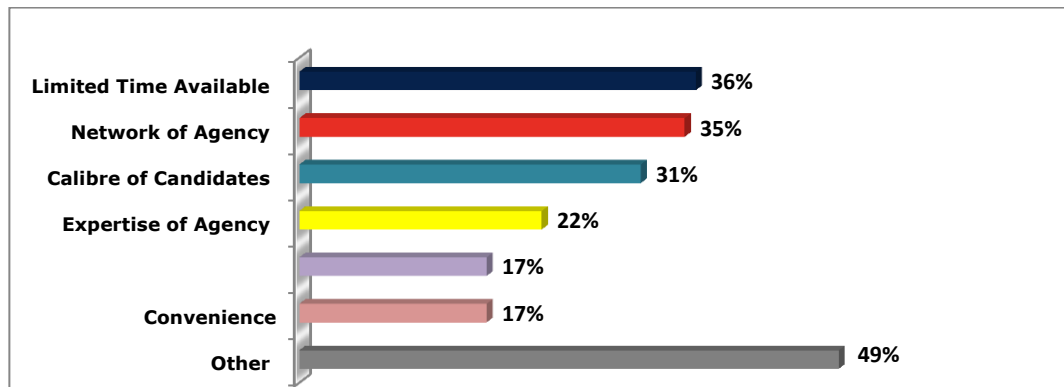
Small Companies

Small sized companies with less than 50 employees are less likely to use agencies due to monetary concerns, as they generally have a limited budget to adhere to. While only 25% of companies do not use agencies, 64% of them stem from small sized enterprises. The anecdotal evidence from smaller companies suggests that agencies are "too expensive" and the pricing structure of agency use is unfair. With this in mind, expressing the potential return on investment to small sized companies could demonstrate the value in using an agency.

Medium and Large Companies

Medium sized companies and multi-national organisations are both generally experiencing growth and have less restrictive budgets to adhere to than smaller companies. For that reason, usage of recruitment agencies is high, with 50% of the 75% outsourcing agencies to assist with their hiring process stemming from medium and large sized companies. Although the majority of these companies use agencies for staff requirements, there is a minority who prefer to use their own internal recruitment department to source candidates. Companies cite poor quality candidates, time inefficiency and a superior internal system as their primary reasons against using an agency. Thus, improving quality of candidate provided and time efficiency could help combat this grievance among a minority of medium and large sized companies.

Graph 8: Reasons for Usage



Base: 100

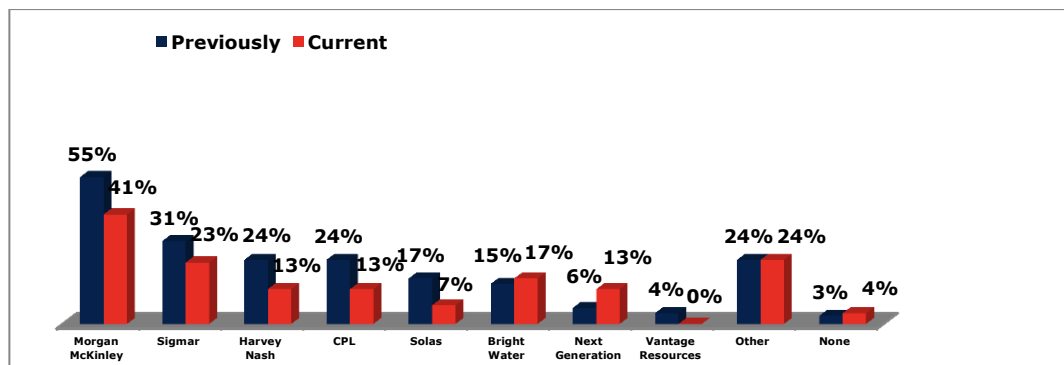
Market Overview

The recruitment industry is an incredibly busy market, thus the need to differentiate agency services is crucial to growth. The recruitment market is currently saturated with agencies, as 85% of companies believe that there is a competitive choice available in the Irish market. However, the anecdotal evidence collected proves that they have poorly differentiated themselves in this space. Communicating a unique selling point or strength would assist in standing out in this competitive space.

Usage

Morgan McKinley is the most used agency, which is likely because they are a multi-purpose recruitment company. However usage among most other agencies varies, as companies tend to out source a combination of agencies according to their specific needs, with 21% of the market using a variety over one specific agency. Consequently, it is rare for organisations to use one specific agency to assist with all of their recruitment needs.

Graph 8: Usage Levels of Agencies



Base: 75

The graph above demonstrates how busy the market currently is. The lack of brand loyalty is further underlined in the above graph, as many companies are not using agencies they once previously used. Thus, they will switch agencies if they are not satisfied with the service.

Importance of Cost

As to be expected, cost will always play an important role in the decision making process for any business. However, companies generally do not consider price to be of utmost importance when considering using an agency. This is further underlined as the research indicates that only 10% of all sized companies using agencies switched due to issues over cost, and only 17% of all sized companies admitted to choosing an agency over another due to cost. Thus, while cost still plays a vital role, companies look for other reasons to choose an agency in conjunction with a reasonable price.

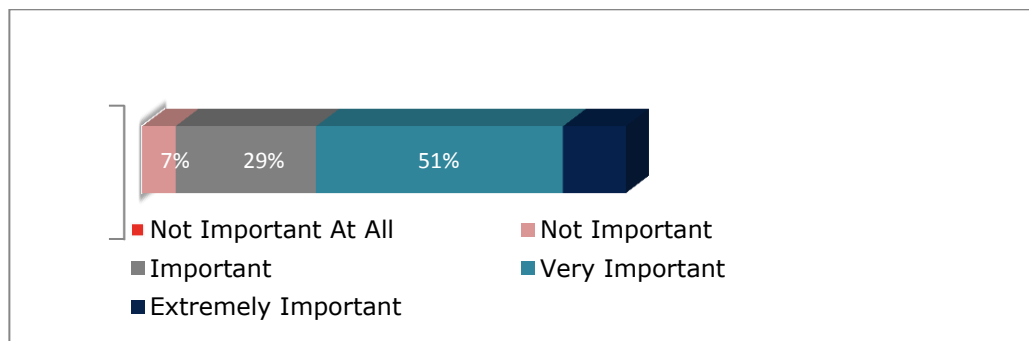
Small Companies

As previously noted, small sized companies are less likely to use agencies due to an “unfair pricing structure” and the overall expense. This is further underlined here, as 29% rated cost as important, 27% rated cost as very important and 44% rated cost as extremely important. Thus, cost plays an instrumental role in the decision making process for small companies.

Medium and Large Companies

There are more pressing factors that influence the decision of medium and large sized companies to use an agency; namely quality candidates and superior communication between HR personnel and the appointed agent. Medium and large organisations did rate cost important at 23%. However, they did not rate cost as highly in terms of importance in comparison to smaller companies.

Graph 9: Importance of Cost



Supplementary to that, all sized companies are largely unaware of the financial gains of using an agency; 57% were unaware of their financial cost per hire, 73% were unaware of the cost of the company’s time spent hiring and a staggering 97% were unaware of the exact return on investment of their recruitment process. This represents an opportunity to educate the market on the financial aspect, and in particular the financial gains of using an agency to assist with the hiring process, as a strategy to expand a client base.

Key Insights

The research provided an extensive insight into the current trends within the IT recruitment industry. However, there are a few key findings that are of paramount importance when considering how to move forward in the market and remain competitive. The IT recruitment industry is over-saturated, thus companies are more likely to use a combination of different agencies to assist with their particular hiring needs. Consequently, companies do not tend to be brand loyal to one specific agency. In that

regard, it is imperative to differentiate an agency within the market to remain competitive. Moreover, it is crucial to note that companies are largely unaware of the financial cost and return on investment from using an agency. This revelation is applicable to the combination of small, medium and large companies in the market.

Small Companies

Smaller companies are less likely to use agencies due to financial limitations; however, the evidence suggests that the market is largely unfamiliar with the financial costs of the hiring process. Thus, there is an opportunity to educate clients and dissolve any pre-conceptions that exist in the market about the high cost of using recruitment agencies.

Medium and Large Companies

Although cost is of key importance when looking to out source a recruitment agency, medium and large companies tend to consider other aspects when looking to choose the right agency; namely quality candidates and communication skills. Thus, medium and large companies will forfeit a cheaper cost in favour of premium service.

Client Needs:

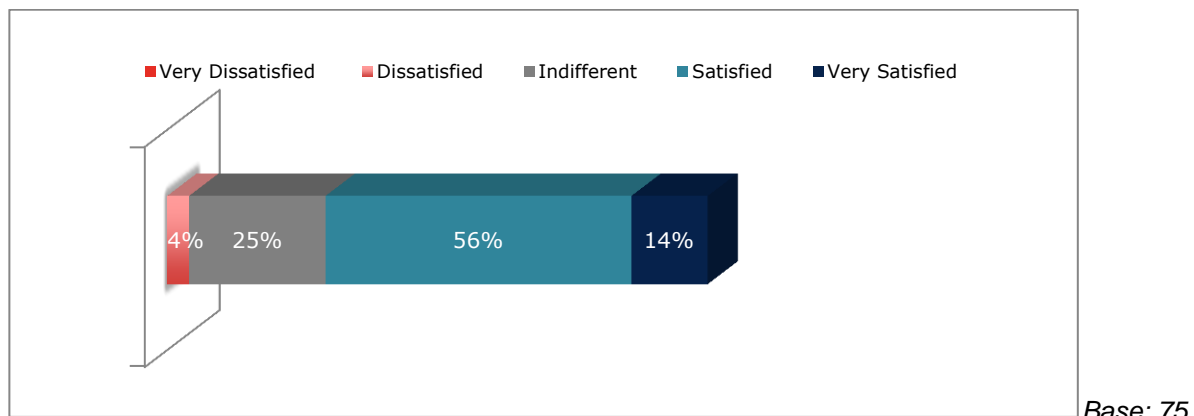
This section of the report will assess what companies want from a recruitment agency, giving an insight into what drives satisfaction, reasons for switching, areas for improvement and key skills in demand. It will aim to direct future customer relationship strategy and how best to attract new business.

Company Requirements

Customers emphasized a need for agencies to wholly understand the role, coupled with their ability to provide high quality candidates. This is consistent with the evidence provided in the previous section, where companies listed limited time available, network available and caliber of candidates as their primary reasons for using an agency. In terms of company requirements for using an agency, quality candidates is considered the foremost important service they expect from a supplier with 53% rating this first on their list of requirements. An in-depth understanding of a role and a competitive price were considered the third and fourth most important requirements with 43% and 23% respectively. Companies of all sizes require an agency to wholly understand the specific requirements of the role in order to deliver a candidate who meets each prerequisite. If an agency does not take the time to understand a job spec, the quality of the candidates sent for interviews is likely to decrease accordingly.

Company Satisfaction

Graph 10: Satisfaction Rate of Agencies



At first glance the above table suggests that the majority of the market are generally satisfied with the service they are receiving from their current recruitment agency/agencies. However, there is a proportion of the market currently unhappy with the agency/agencies they are using. This section of the market represents a sizable opportunity, as 50% of those that are currently indifferent or dissatisfied with their agency/agencies, hire on a weekly basis.

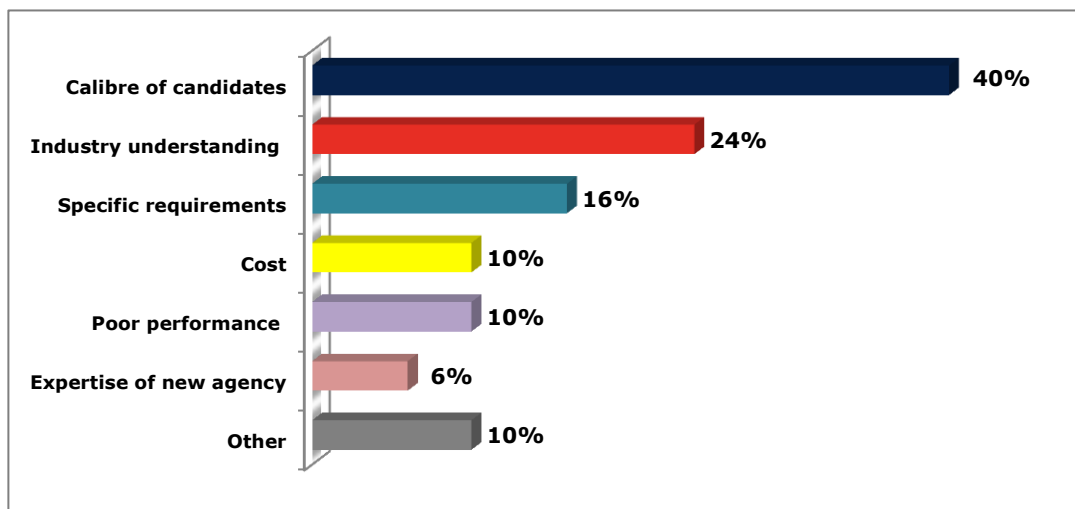
With regards to drivers in satisfaction rates, it is clear that candidate quality is the area that dictates customer satisfaction. Thus, if an agency succeeds in delivering suitable and qualified candidates, the client will be very satisfied with their service, regardless of other flaws, such as search capabilities, to which 46% of the market are indifferent.

Switching Rates

Small, medium and large companies are equally not switching agencies due to dissatisfaction with their current agency. Rather, companies are changing agencies due to a perception of an alternative agency being able to provide better quality and expertise. This is highlighted by the fact that only 10% of customers will switch due to the poor performance of their current supplier, where as 40% will switch due to the perception that another agency can provide higher-quality candidates. Other factors that encourage customers to switch are a better understanding of the industry and of the company's specific requirements.

Graph 11: Reasons for Switching between Agencies

Base: 75



The other category here includes factors such as relationship, search capability and time. Switching rates are high amongst companies, with 71% having switched agency. Of the 71% of companies that switched agency in the past, 100% were satisfied with the decision to switch. This indicates that the decision is weighed carefully, and that the new agency is capable of fulfilling customer needs.

Preferred Supplier Lists

The breakdown of customers that use a preferred supplier list (PSL) and those that do not is quite even. PSL's are used by 47% of companies; while 53% do not use PSLs. The anecdotal evidence given by companies suggests that this is due to the company either being in the process of building a PSL, or not having the recruitment needs to warrant the use of a PSL.

However, even companies that adhere to a PSL are open to trying new agencies. Of the 47% of companies that have a PSL, 23% will venture outside the list, while 24% will not. This is reflective of the

high rate of switching between companies, whereby the perception of greater quality candidates and service being offered elsewhere will encourage companies to change agency.

Small Companies

Small companies are unlikely to have a PSL, due to the fact that customers do not feel their recruitment needs are extensive enough to justify the use of a PSL. This is reflected by the fact that only 26% of small companies use a PSL.

Medium and Large Companies

Large and medium companies are more likely to use PSL's, with 57% of such companies using a PSL. Companies that have extensive recruitment needs are more likely to use a preferred supplier list. This is highlighted by the fact that of the 47% of companies that have a PSL, 26% are expecting to hire more than 100 employees in the coming year.

Areas for Agency Improvement

Customers believe that the two main areas for agency improvement lie in communication, and a better understanding of candidates. These two factors outweigh overall cost, indicating that customers may be willing to pay more for these benefits. The table below outlines the main factors customers cited as areas for development. It is important to note that these responses were unprompted, indicating that these are the issues on the forefront of customers' minds. Areas for improvement were consistent across all company sizes.

Table 1: Areas that Agencies could Improve on

Base: 75

Area of improvement	Percent
Better communication	16
Better understanding of candidates	16
Cost	10
Better understanding of role	9
Better relationship building	9
Better understanding of company	8

Employee Skills Currently in Demand

There is a shortage of java script developers, with one-third of companies mentioning a need for this skill set. Table 7 below breaks the skills into three categories, scripts, IT and soft skills. Specific scripts were mentioned most often, with 45% of companies mentioning a shortage of java script, C++ and Dot Net developers. Basic IT skills were mentioned by 17% of companies, as a standard base skill they looked for across all roles. In terms of soft skills, these were often mentioned in conjunction with organisational culture. For example, companies that mentioned a culture centred on open and regular communication between co-workers, would require exceptional communication skills when hiring at all levels. Many companies related this back to agencies having a deeper understanding of the organisation.

Table 2: Employee Skills needed by Companies

Base: 100

Skills	Percent
<i>Specific scripts</i>	-
Java script	30
C++	9
Dot net developers	6
<i>IT skills</i>	-
Basic IT skills	17
Software engineers	13
Data driven skills	7
<i>Soft skills</i>	-
Communication skills	7
Technical skills	6
Project management	6

Small Companies

Smaller companies are more likely to be seeking a wide range of skills in a candidate. This could indicate a need to recruit for multiple skill sets due to a lack of resources. Basic IT skills are sought by 32% of small companies, with the need to be 'flexible' or 'adaptable' cited by 12% of these companies.

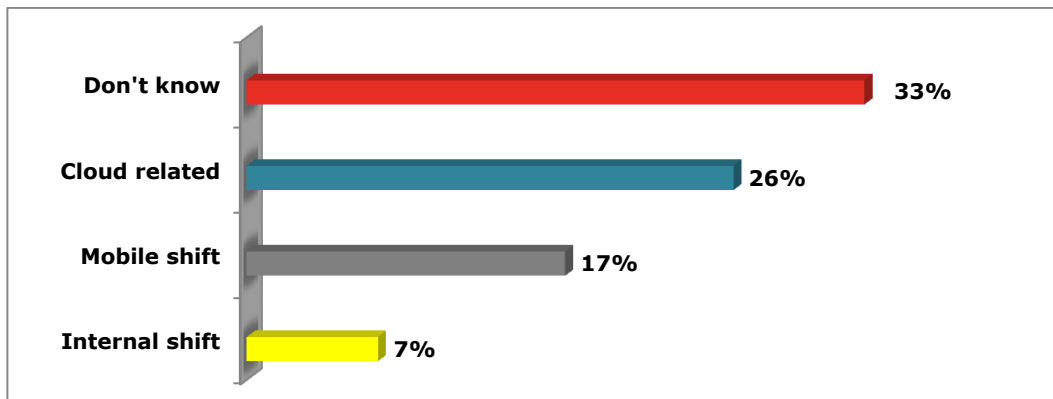
Medium and Large Companies

Large and medium companies are more likely to be actively seeking specific skills due to their scale. This is highlighted by the fact that 11% of these companies are looking for 'data driven' skills. Larger companies are also more likely to be searching for soft skills that compliment company culture, with 9% searching for candidates with good communication skills and 8% searching for candidates with good project management ability.

Future Trends

Companies as a whole are not overly dependent on older and legacy technologies. Anecdotal evidence shows that companies see themselves as being on the "cutting edge" and operating in a sector that demands new and up to date technology. This is further highlighted by 79% of companies claiming little to no dependency on older technologies. Of the remaining 21%, 3% are very dependent on older technology and 19% are relatively dependent. This demonstrates a future focus among companies who avail of IT recruitment services. Table 4 below outlines respondents' unprompted answers regarding the next big technology shift.

Graph 12: The Next Big Technology Shift



Base: 100

Interestingly, 33% of companies claim that they are unable to forecast where the next major technology shift will come from, indicating a reluctance in predicting future technology shifts. However a similar amount of customers, 26%, believe that Cloud related technology such as “software as a service” will be the next major technology shift. Shifts toward mobile technology, including in house app development or the deployment of enterprise systems across mobile devices, are predicted by 17% of companies. Internal system overhauls, such as the implementation of a new CRM or Sales systems, are only mentioned by 7% of companies as being the next big shift in technology.

Final Conclusions and Recommendations:

Standing out from the Crowd

Companies perceive the recruitment industry as crowded, with 85% agreeing that there is a competitive choice of recruitment agencies. In this crowded market, customers believe that there is little differentiation between agencies. One company noted that there is “oversaturation in the market, yet little difference between them”. In order to stand out in this market, Vantage needs to communicate its main points of differentiation. Research indicates that customers will respond to the following selling points:

1. Quality over Quantity Strategy

One of the major issues that customers have with their agencies is the belief that an agency supplies a large number of poorer quality candidates, rather than a smaller number of candidates better suited to the role. 52% of companies want more quality from their supplier, and 40% will go so far as to switch agency if they believe a new agency will supply them with better personnel for the role. It is clear from the research that customers prioritise candidate quality. 16% of companies also believe that the biggest area in which agencies can improve is in their understanding of the applicant being put forward. In order to stand out, Vantage could communicate its candidate understanding and quality. This could be achieved through highlighting a rigorous recruitment process for candidates. In communicating with companies, Vantage should emphasise that the quality of people being put forward is prioritised over the quantity at all times.

2. Financial Gains of using an Agency

When considering the recruitment agency market, it is evident that companies often do not measure the financial aspects of the recruitment process in great detail. 57% of companies could not place a figure on the financial cost per hire and 73% did not measure the financial cost of the company time spent hiring. As companies are not aware of the monetary costs of the hiring process, there lies an opportunity for Vantage to use this information as a point of differentiation. Being able to break down the costs of the hiring process and communicate the cost saving benefits of agency use could be a way of breaching the clutter in the recruitment market.

3. Expertise in IT

Another way in which Vantage can differentiate itself is through continued communication of its expertise in IT. Anecdotal evidence throughout the research indicates that companies acknowledge differences between general recruitment, and recruitment for ICT professionals. These differences are mainly in the specific and niche skills often required for IT roles. This is highlighted by the skills identified by companies as being in demand. 45% of companies mention the need for a specific script, such as Java or C+. Communicating the ability to fill these gaps, and the agencies expertise in IT related skill shortages is a way in which Vantage can distinguish itself from other companies.

Tailoring Vantage’s Approach to Small Companies

There is a gap in the market for smaller companies that currently are not using recruitment agencies. There are a number of reasons that these smaller companies do not use agencies, the primary barrier being perceived is cost. 50% of small companies cite cost as the primary reason for not using an agency, and 72% see price as very or extremely important when choosing an agency. Breaking down pre conceived perceptions that agencies are not worth the expense could be an effective way to target smaller companies. Through educating small to medium companies about the potential cost savings that agency use can bring, Vantage could target a previously hard to reach customer. 57% of companies are not aware of their financial cost per hire, and 73% do not measure the financial cost of time spent hiring. By aiding small companies in measuring these financials, and highlighting the monetary benefit of using an agency, Vantage can break down the perception of agencies as expensive, and encourage use.